

GAO

Report to the Chairman, Subcommittee
on Foreign Operations, Committee on
Appropriations, U.S. Senate

March 1991

EL SALVADOR

**Flow of U.S. Military
Aid**



143529



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-242967

March 27, 1991

The Honorable Patrick J. Leahy
Chairman, Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

On October 29, 1990, you asked us for data on the flow of U.S. military aid to El Salvador. Specifically, you asked that we obtain and compare data on the monthly amounts of military aid provided to El Salvador over the last 3 fiscal years and the amount of military aid in the pipeline to El Salvador at the beginning and end of fiscal year 1990. According to your staff, you were concerned that proposals to restrict aid to El Salvador may have resulted in U.S. efforts to expedite the use of assistance funds. Our objective was to determine if available data indicated that an acceleration in the provision of military aid to El Salvador may have occurred in fiscal year 1990.

Results in Brief

Because of the lack of accurate historical data, a determination concerning possible acceleration in the provision of military aid to El Salvador during fiscal year 1990 could not be made. Alternative data on billings for deliveries of aid show no discernable difference in delivery trends for fiscal year 1990 and prior years. Data also indicate that some military aid was obligated earlier in fiscal year 1990 than in the previous year. Executive branch officials said this was done to finance new orders of military items to replenish supplies and equipment consumed during heavy fighting between government and insurgent forces in late 1989. U.S. officials involved in the program said that there had been no acceleration of aid due to proposed legislation to restrict aid.

Background

The United States provides military supplies, equipment, and services to El Salvador through the Foreign Military Sales Financing program to assist its armed forces in combatting the threat posed by insurgents of the Farabundo Marti National Liberation Front. Legislation to restrict military aid to El Salvador was proposed, debated, and rejected in November 1989. Congressional discussions on restricting the U.S. military aid continued throughout the fiscal year and culminated in passage of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991 in November 1990, which placed certain

restrictions on funds appropriated for fiscal year 1991 pertaining to actions of the Salvadoran government and armed forces and the insurgents.

The Defense Security Assistance Agency is responsible for managing funds allocated for Salvadoran purchases of military items. After funds have been committed for specific purchases, the U.S. military services are responsible for ordering items and monitoring shipments. Most, or about 88 percent, of the value of orders and shipments comes from Army sources and suppliers. The remainder comes from Navy and Air Force sources. The U.S. Army Security Assistance Command, located in Alexandria, Virginia, and New Cumberland, Pennsylvania, administers most of the Army's assistance. The Security Assistance Accounting Center, located at the Defense Finance and Accounting Center in Denver, Colorado, accounts for aid funds after they are disbursed by the Defense Security Assistance Agency into trust accounts for countries receiving military aid.

Flow of Aid in 1990

Officials from the Defense Security Assistance Agency, the military services, the U.S. Military Group at the U.S. Embassy in El Salvador, and the Department of State indicated that some military aid shipments to El Salvador may have been expedited and that additional orders were placed to replenish equipment and supplies consumed during the extensive military operations of November and December 1989. However, these officials stated that aid shipments were not accelerated due to congressional deliberations on restricting aid during fiscal year 1990. In fact, these officials noted that in August 1990 the State Department withheld approval for most new orders of military equipment and supplies for El Salvador due to concern over the lack of military cooperation in the investigation of the murders of six Jesuit priests and two women in November 1989. This action essentially froze almost \$20 million in fiscal year 1990 and prior year military aid for over 3 months. In early December 1990, the State Department released these funds due to concern over increased insurgent violence.

Obligation Data

The pace of obligations during fiscal year 1990 generally did not exceed the pace for fiscal year 1988. However, some of the fiscal year 1990 funds were obligated earlier in the year than were fiscal year 1989 funds. For example, \$60 million was obligated in the first half of fiscal year 1990 compared to \$45 million for the same period in fiscal year 1989. State Department officials said that portions of the fiscal year

1990 funds were obligated early in the fiscal year to fund new orders of military items to replace supplies and equipment consumed in late 1989. Appendix I includes data on obligations of military aid.

Shipment Data

We were unable to obtain complete and accurate data on the amount of monthly shipments of military aid to El Salvador for the last 3 fiscal years. Computer generated data on monthly shipments of aid to El Salvador from the U.S. Army Security Assistance Command were not complete and contained significant inaccuracies.

In order to accurately assess delivery trends, we obtained data from the Security Assistance Accounting Center. When goods or services are delivered, the military service that ordered the items pays the supplier and notifies the Security Assistance Accounting Center that delivery and payment have been made. The Center subsequently reimburses the military service with funds from the foreign country's trust fund account. The Center provided data on aid deliveries to El Salvador from all U.S. military services. The information indicates the date the accounting center made the billing entry to the trust fund and not the actual date of shipment, which, according to Center officials, usually takes place several months earlier.

Although Center data we obtained do not reflect actual shipment dates, they do indicate delivery trends over the past 3 fiscal years. The data show that the dollar value of reported deliveries fluctuated by month and was greatest in the fourth quarter in each of the last 3 fiscal years. However, there was no discernable difference between delivery data for fiscal year 1990 and prior years. Appendix I includes data on reported deliveries for the last 3 years and on the inaccuracies we identified in the Army's monthly delivery data.

Estimated Value of Assistance Pipeline

We were also unable to develop historical information on the amount of military aid available to El Salvador at the beginning and end of fiscal year 1990. The Defense Security Assistance Agency provided data on aid funds for El Salvador, which had not been committed for specific purchases of military items, showing uncommitted balances of \$8.4 million, \$7.2 million, and \$10.6 million at the end of fiscal years 1988, 1989, and 1990, respectively. However, these funds are a relatively small part of the pipeline. No historical data were available on the amount of funds that had been committed to cases for which orders had not been placed because Agency automated systems continually update the data to

reflect current status. Furthermore, the military services do not attempt to compile and retain data on the value of goods that have been ordered but not delivered at any given time.

Agency officials also explained that it is not feasible to reconstruct the military aid program's historical financial status because (1) data on funds in different stages of the pipeline are maintained by different offices in different formats; (2) numerous daily transactions occur as funds are committed and decommitted to adjust for price changes and as shipments are made from multiple government and commercial sources; (3) the El Salvador program involves hundreds of cases, some of which have multiple orders and shipments; and (4) weekly reports on commitments are not aggregated by country and involve hundreds of line items for about 80 countries.

According to an Agency official, the Agency's accounting and automation system was designed for management of the financial rather than logistical aspects of the foreign military financing program. For example, the system helps to ensure that funds obligated and committed under the program do not exceed what has been allocated and apportioned for a particular country in a given fiscal year. Thus, the Agency needs a current balance of what has been obligated and committed from each fiscal year's allocation of funds; it does not need historical data on amounts that had been committed as of a given day in the past or information on the shipping status of ordered items unless adjustments for price changes are required.

Although we could not obtain historical data on the amount of aid in the pipeline, we were able to estimate the current value of the pipeline by using (1) Agency financial data on unobligated funds, uncommitted funds, and funds currently committed to cases for which orders had not been placed and (2) logistical data from each military service on military items that had been ordered but not delivered. On the basis of the data, we estimate that, as of January 1991, about \$132.5 million worth of military aid for El Salvador had not been delivered. Of this amount, \$47.5 million relates to fiscal year 1990 and prior year unexpended funds. The remaining \$85 million represents funds appropriated for fiscal year 1991 with certain restrictions pertaining to actions of the Salvadoran government and armed forces and the Farabundo Marti National Liberation Front insurgent forces. Of the fiscal year 1991 funds, \$36.5 million was obligated on January 23, 1991. The remaining

\$48.5 million in fiscal year 1991 funds had not been obligated as of January 31, 1991. Appendix II contains additional data on the current pipeline estimate.

Officials from the Agency said that our estimate accurately reflects the value of military aid that has not already been delivered. However, they cautioned that our estimate may differ from other estimates of the pipeline because the term "pipeline" may have different meanings among agencies and between the Congress and the executive branch. For example, the State Department generally considers the pipeline to include only those funds that have not yet been apportioned by the Office of Management and Budget and obligated for the host country. Some Agency officials consider funds to be in the pipeline until military items are ordered, thus excluding the value of items that have been ordered but not shipped.

Scope and Methodology

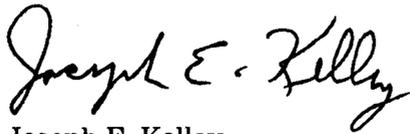
To obtain information for this report, we interviewed officials from the Defense Security Assistance Agency, the military services, the U.S. Military Group in El Salvador, and the State Department. We also reviewed Agency documents, including current financial data on committed funds and amounts on order and historical information on deliveries reported since October 1987, and logistical data from the services. We did not verify the accuracy of the data.

We conducted our review in December 1990 and January 1991 in accordance with generally accepted government auditing standards. We did not obtain written agency comments, but we provided a draft of this report to State Department and Agency officials and incorporated their comments as appropriate.

Unless you publicly announce its contents earlier, no further distribution of this report will be made until 7 days from its issuance date. At that time, we will provide copies to interested congressional committees, the Secretaries of Defense and State, and the Director of the Office of Management and Budget. We will also provide copies to other interested parties upon request.

Staff who made major contributions to this report are John Brummet, Assistant Director; Audrey Solis, Evaluator-in-Charge; and Ray Murphy, Evaluator. If you have any questions, please call me on (202) 275-4128.

Sincerely yours,

A handwritten signature in cursive script that reads "Joseph E. Kelley".

Joseph E. Kelley
Director, Security and International
Relations Issues

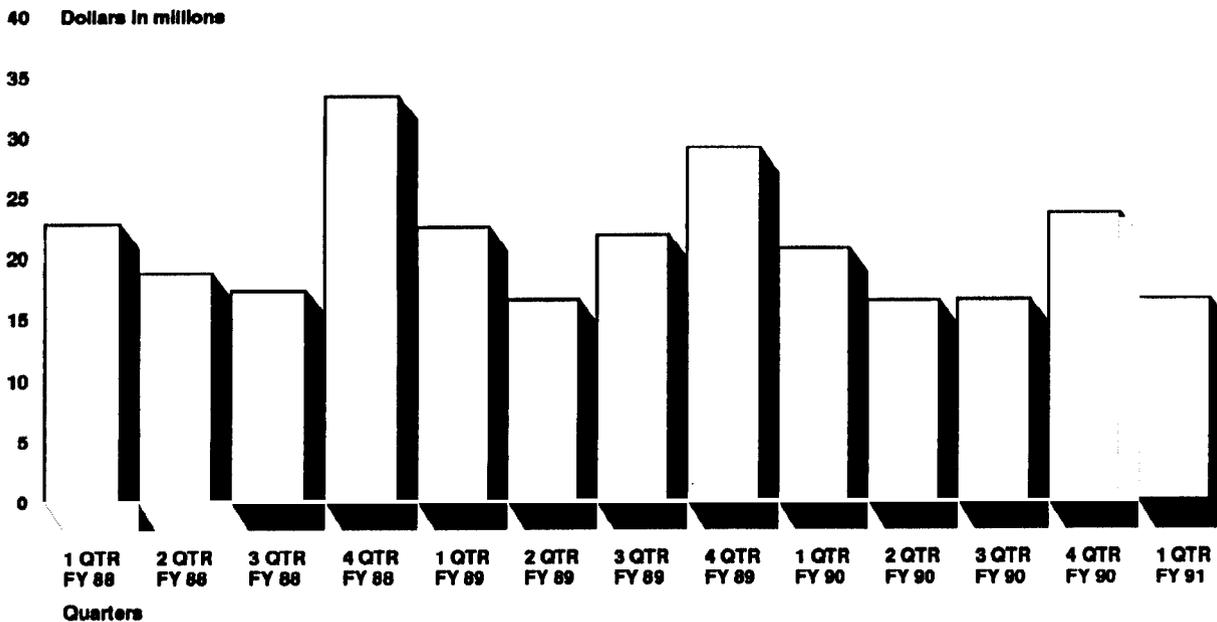
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Data on the Flow of Military Aid

Data provided by the Security Assistance Accounting Center on billings for deliveries to El Salvador from October 1987 to December 1990 indicate that the value of monthly billings varied and was highest at the end of each fiscal year. As discussed on page 3, the data indicate deliveries reported for billing purposes but do not reflect actual shipments from suppliers, which may occur at least several months earlier than indicated in the data. The trends for billings for deliveries to El Salvador since October 1987 are shown in figure I.1.

Figure I.1: Quarterly Billings for Deliveries of Military Aid



Source: Security Assistance Accounting Center

Data on New Orders

Historical data on new orders were not available. The Army Security Assistance Command is responsible for preparing Foreign Military Sales Financing cases, placing orders, and reporting on new orders each quarter. However, these reports were unavailable except for the most recent quarter. An Army Security Assistance Command official explained that past reports are not retained because program officials require only current data for monitoring program status. Furthermore, an Army Security Assistance Command computer official explained that reproducing past quarterly reports was not possible because the data

base contains only updated information. Therefore, we could not determine the flow of new orders placed by the Command for goods and services to be provided to El Salvador during fiscal year 1990 or prior fiscal years.

Monthly Shipments

We were also unable to obtain accurate and complete information on the value and actual shipment dates of military aid. The U.S. Military Group in El Salvador documents actual shipments received but its records do not list the value of each shipment. Computerized monthly shipment reports provided by the Command contained inaccurate shipment dates and other errors that led us to question the reliability of the data. For example, a reported shipment of 96 pickup trucks in December 1989 had actually taken place 10 months earlier in February 1989. Also, over \$100 million in military aid was mistakenly reported as shipped to El Salvador in December 1989 because ammunition valued at \$92,720 was listed as costing \$92.7 million. Furthermore, the data provided to us excluded aid for training, equipment repair, and other purposes managed by various army commands other than the Army Security Assistance Command.

The Army official responsible for administering orders and deliveries of military aid to El Salvador told us that he does not rely on the Command's monthly shipment report totals because he focuses on individual cases. Also, once a delivery has been completed, his responsibility ends, and he has no need for historical data on deliveries. An official at the Command's computer facility in New Cumberland, Pennsylvania, who provided the reports, said that the information is generally accurate. However, she noted that the Command relies on suppliers to provide shipment data and acknowledged that at times a monthly report may contain errors that are difficult to explain.

Obligations

A possible indicator of an acceleration in military funding activity is the process of allocation, apportionment, and subsequent obligation of funds. This process must be completed before funds are committed and expended. Historical data on obligations are available because, unlike funds in other stages of the pipeline, obligations are relatively few in number and are one-time transactions that are normally not revised. Following congressional appropriation of security assistance funds, the State Department allocates funds for the military aid program for El Salvador, and the Office of Management and Budget apportions funds for use. The Department of Defense, with authorization from the State

Department, may then obligate the apportioned amount for the host country. Funds are generally obligated within 2 weeks of apportionment.

Fiscal year 1990 obligations were made in smaller and more frequent transactions spread throughout the year than those in the previous 2 fiscal years. Some of the fiscal year 1990 funds were obligated earlier in the year than were fiscal year 1989 funds. For example, \$60 million was obligated in the first half of fiscal year 1990 compared to \$45 million in the first half of the prior fiscal year. But, the pace of fiscal year 1990 obligations was generally slower than for fiscal year 1988. Furthermore, about \$15 million was not obligated until the last 2 months of fiscal year 1990, whereas in the 2 prior years, all obligations were completed by May.

According to a State Department official, the Department determined that the Salvadoran military needed some assistance to quickly replenish stocks consumed during the insurgent offensive in November and December 1989 and that, as a result, some funds were obligated earlier than in the previous year. State also decided that smaller obligations spread out over the year would be a more appropriate use of funds. Table I.1 shows the amounts and dates of obligations of military aid from fiscal year 1988 through January 1991.

Appendix I
Data on the Flow of Military Aid

Table I.1: Obligations of Military Aid Funds (Fiscal Years 1988-91)

Dollars in thousands		
Fiscal year appropriated	Date of obligation	Amount obligated
1988	Nov. 16, 1987	\$30,000
	Apr. 14, 1988	33,000
	May 16, 1988	17,000
Total		\$80,000
1989	Mar. 14, 1989	\$45,000
	May 30, 1989	35,000
Total		\$80,000
1990	Nov. 20, 1989	\$10,000
	Jan. 3, 1990	10,000
	Feb. 14, 1990	20,000
	Mar. 22, 1990	20,000
	Aug. 13, 1990	14,635
	Sept. 25, 1990	5,000
Total		\$79,635
1991	Jan. 23, 1991	\$36,500

Source: Defense Security Assistance Agency

Disbursements

According to the Defense Security Assistance Agency, there is little correlation between when goods are shipped and when the Agency disburses military aid funds. The Agency does not directly disburse funds to suppliers but disburses funds to the trust fund at the Security Assistance Accounting Center. These disbursements are made according to estimated schedules of when reimbursement to suppliers will be required. These funds remain in the host country trust fund account at the Security Assistance Accounting Center until after the military service pays the supplier. Reimbursement for a single case may take place over several years as deliveries are reported and billing is completed. Therefore, Agency officials told us that the rate of Agency disbursement of funds would not accurately reflect trends in the flow of aid.

Status of Military Assistance Funds

On the basis of current data provided by the Defense Security Assistance Agency and military services, we estimate that undelivered military assistance for El Salvador, as of January 1991, totaled about \$132.5 million. This amount includes \$47.5 million in fiscal year 1990 and prior year funds that was (1) not committed for specific uses, (2) committed to specific foreign military financing cases for which orders have not been placed, and (3) related to items that have been ordered but not delivered to El Salvador. It also includes \$85 million in funds appropriated for fiscal year 1991 according to provisions of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1991.¹ As discussed on pages 3 to 4, we did not develop historical data on funds in the pipeline because the Agency and military services do not compile the data, and it is not feasible to reconstruct the program's past financial status. Our estimate of the pipeline as of January 1991 is shown in table II.1.

Table II.1: Undelivered Military Assistance (As of January 1991)

Dollars in millions

Fund status	Fiscal year 1990 and prior years	Fiscal year 1991	Total
Unapportioned/unobligated ^a	0	48.5	48.5
Obligated but not committed ^a	2.3	36.5	38.8
Committed but not on order ^a	15.3	0	15.3
On order but not delivered ^b	29.9	0	29.9
Total	\$47.5	\$85.0	\$132.5

Notes: Funds do not include \$1.4 million in fiscal year 1991 International Military Education and Training funds for El Salvador or prior year program funding.

Section 538 of the Foreign Operation, Export Financing, and Related Programs Appropriations Act of 1991 prohibits obligation of \$5 million pending satisfactory legal resolution of several human rights cases in which the Salvadoran military has been implicated.

^aAgency data as of January 31, 1991.

^bAir Force and Navy data as of November 30, 1990; Army data as of December 31, 1990.

In January 1991, the State Department submitted its report on the progress of peace negotiations and the investigation of the November 1989 murders of six Jesuit priests and two women and allocated \$36.5 million

¹Section 531 of this act (Nov. 5, 1990) provides for withholding all military aid if the President reports that the Salvadoran government, among other things, is not actively seeking a peaceful and permanent settlement of the conflict or is not conducting a thorough investigation and prosecution of the Jesuit murder case. Funds are also to be withheld if the Salvadoran armed forces commit acts of violence toward civilians or overthrow the government. The act provides for withholding 50 percent of the appropriation unless the President reports that the Farabundo Marti National Liberation Front, among other things, is not participating in efforts to reach a peaceful settlement, is conducting offensive military actions that threaten the survival of the government, is continuing to acquire lethal assistance from outside El Salvador, or is committing acts of violence toward civilians.

Appendix II
Status of Military Assistance Funds

of the \$42.5 million (half the fiscal year 1991 appropriation) available for El Salvador that had not been restricted by the appropriation legislation. These funds were obligated on January 23, 1991. The remaining \$6 million will be allocated and obligated later in the fiscal year.

Also in January 1991, the President determined that insurgent forces were continuing to receive significant lethal assistance, including sophisticated ground-to-air missiles, from outside El Salvador and were engaging in acts of violence against civilians. The President, therefore, granted the State Department the authority to allocate the restricted portion of the appropriation, \$42.5 million, but suspended use of the funds until mid-March 1991 unless a compelling need for immediate delivery of military aid arises. If negotiations at that time have led to political settlements and a cease-fire supervised by the United Nations, these funds will be used for monitoring settlements and for implementing reconstruction programs, not for military defense activities.

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